Mesa County Economic Update

May 2025

Colorado Mesa University
Davis School of Business

Economic Summary

- Industry data shows that healthcare has been the leading contributor to job gains over the past few quarters.
- Mesa County's unemployment rate in April was 4.8%, while March was 5%, with Q1 averaging 5.1%. Colorado's April unemployment rate (non-seasonally adjusted) was 4.6%, putting Mesa County slightly higher than Colorado.
- U.S. GDP growth for Q1 2025 was -0.3%, showing contraction and creating a growing concern for a potential recession. Part of the reason for the negative growth rate is tariffs. Specifically, many firms rushed to purchase foreign goods before tariffs hit, causing a surge in imports, which is a subtraction from GDP.
- The national section of this newsletter has some information on tariffs, their purpose, pros and cons, as well as some graphs explaining the reasoning.

Contents

Local Economic Indicators

	Q1 2025	Q4 2024	Q1 2024	change since last quarter	change since last year (comparable quarters)
Local Labor Market					
Unemployment Rate Mesa County -SA	N/A	4.70%	3.80%	N/A	N/A
Unemployment Rate Mesa County -NSA	5.30%	4.50%	4.50%	0.80%	0.80%
Unemployment Rate Colorado -SA	4.70%	4.60%	3.90%	0.10%	0.80%
Unemployment Rate U.S. -SA	4.10%	4.10%	3.80%	0.00%	0.30%
Labor Force	80,327	80,886	79,258	-559	1,069
Employed	76,038	77,201	76,406	-1,163	-368
Unemployed	4,289	3,685	2,852	604	1,438
Business Confidence					
Leeds Colorado Business Confidence	31.9	50	53.7	-36.20%	-40.60%
Sales/Use Taxes	**2025 (YTD)**		**2024 (YTD)**		
Mesa County Sales/Use Tax (through April)	$12,694,831		$12,888,392		-1.50%
Business Filings	**2024**		**2023**		
Mesa County New Business Entity Filings (through Dec)	2,025		2,168		-6.60%

Grand Junction Regional Airport	2025		2024		% change from previous year
Scheduled Enplanements (through March)	261,496		251,310		4.05%
Standard of Living and Growth	**2023**	**2022**	**2021**	**2020**	**% change from previous year**
Population	161,260	159,690	158,585	157,458	0.98%
Mesa County Gross Regional Product (in millions)	$7,367	$7,178	$6,931	$6,608	2.64%
Personal Income	$9,206,041	$8,754,084	$8,327,079	$7,549,790	5.16%
Personal Income Per Capita	$57,653	$55,220	$52,891	$48,393	4.41%
Median Household Income	$66,339	$69,578	$63,531	$64,141	-4.66%
Percent of Population Below Poverty Line	11.9%	10.7%	10.6%	11.1%	1.20%
Place of Residence	**2023**	**2022**	**2021**	**2020**	
Adjustment for Place of Residence (in thousands)	$281,878	$252,666	$224,400	$228,987	11.6%

SOURCES: Local Unemployment Rates: Bureau of Labor Statistics (LAUS); National Unemployment Rate: Bureau of Labor Statistics; Labor Force, Employed, and Unemployed: Colorado Department of Labor and Employment; Business Confidence: Leeds Business Confidence Index; Sales/Use/Lodging Taxes: City of Grand Junction, Mesa County; Business Permits: Colorado Secretary of State's Office; Scheduled Enplanements: Grand Junction Regional Airport; Median Household Income, Poverty Rate, and Personal Income: U.S. Bureau of the Census; Gross Regional Product: Bureau of Economic Analysis. Population: Colorado State Demography. Place of Residence: Bureau of Economic Analysis. Jobs: Colorado State Demography Office.

Local Labor Market

Both the Mesa County unemployment rate and Colorado unemployment rate are higher than the national unemployment rate. The Mesa County labor market slowed in 2024, but finished the year with a higher employment estimate than 2023 by 663. Employment data through March of 2025 shows a decline in employment, but the late winter and early spring months typically do have lower employment numbers due to seasonality. The most recent unemployment rate in April was 4.8%, while March was 5%, with Q1 averaging 5.1%. Colorado's April unemployment rate (non-seasonally adjusted) was 4.6%, putting Mesa County slightly higher than Colorado. Employment data is based on place of residence and is derived from a relatively small sample size.

Figure 2 shows yearly jobs data from the state. The jobs data is by place of work, and counts if a person works more than one job. The state shows that jobs in Mesa County increased from 83,413 in 2022 to 84,232 in 2023. Top employers are healthcare (12,520), government (11,596), and retail trade (10,045).

Other Indicators

Mesa County sales taxes have increased through November, rising 2.44%, while Grand Junction sales taxes have increased 9.26% through October. New business entity filings in 2024 fell by 6.6% compared to 2023, from 2,168 to 2,025. Grand Junction Regional Airport enplanements rose by 4.05%, with Q1 2025 enplanements at 66,144.

Table 1:

10, 5, and 1 Year Employment Comparison

	Labor Force	Employed	Unemployed
Annual	1,069	-368	1,438
5-Year	3,212	2,485	726
10-Year	9,051	8,960	91
Annual %	1.35%	-0.48%	50.41%
5-Year %	4.16%	3.38%	20.39%
10-Year %	12.70%	13.36%	2.18%

Figure 6 illustrates what is called a "place of residence adjustment." This data is from the Bureau of Economic Analysis, and shows inflows and outflows of income to and from the county. A positive number indicates that more income is flowing into the county from other counties than flowing out. A negative number implies that more income is flowing out of the county to other counties than flowing in.

Mesa County has a history of a positive place of residence adjustment. This implies that there are more people who commute to other counties and bring back income than other counties deriving income from Mesa County. Numbers show an 11.6% increase from 2022 to 2023.

Figure 1:

Employment Estimates

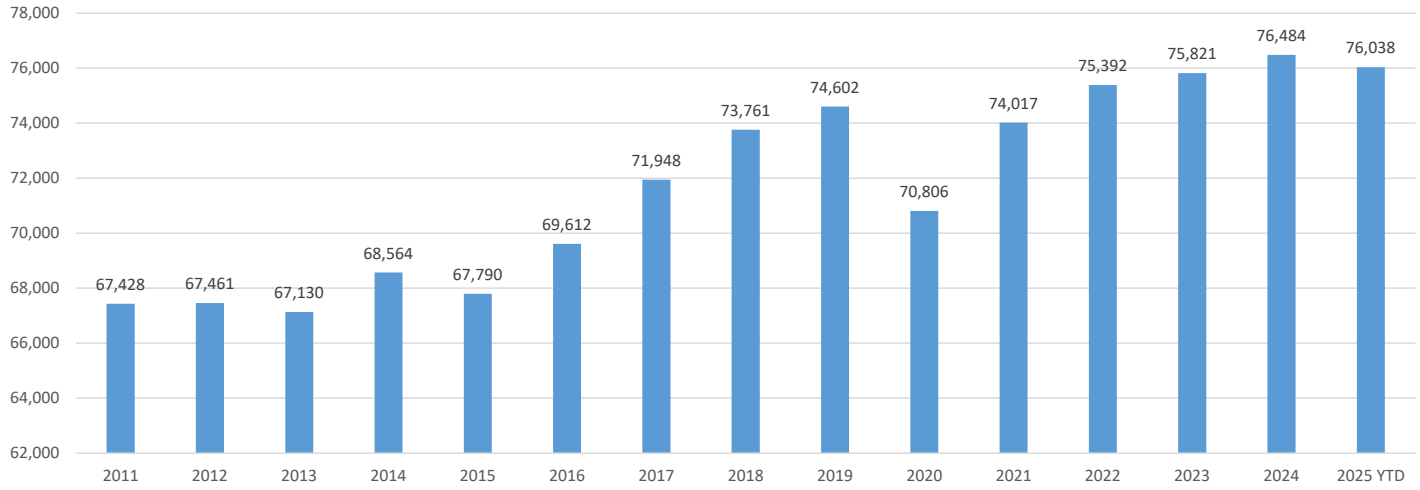


Figure 2:

Total Full and Part Time Jobs

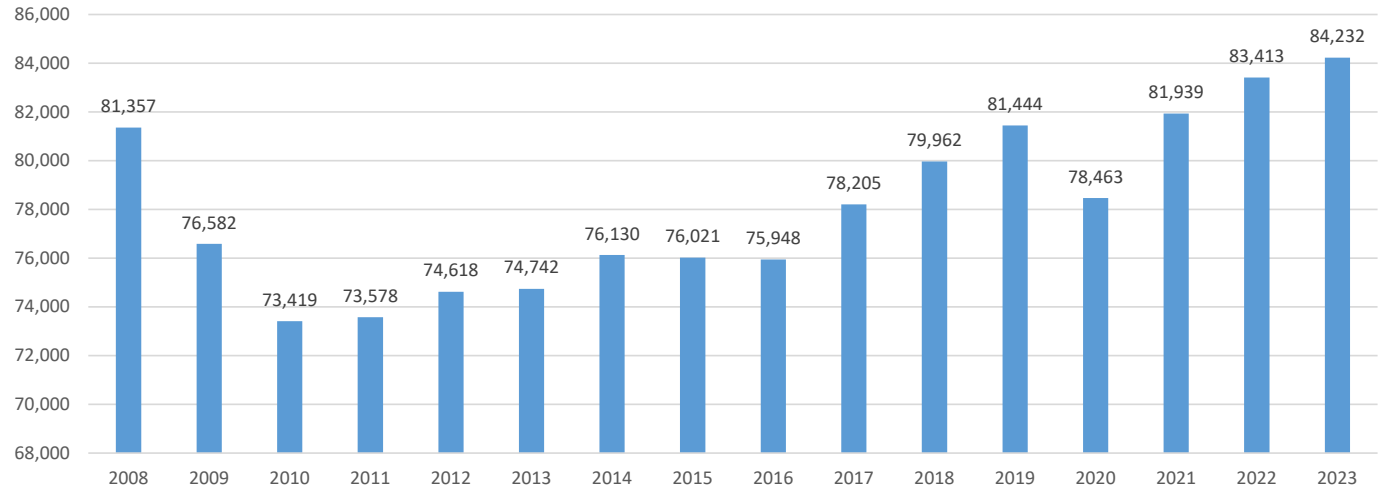


Figure 3:

Jobs by Industry

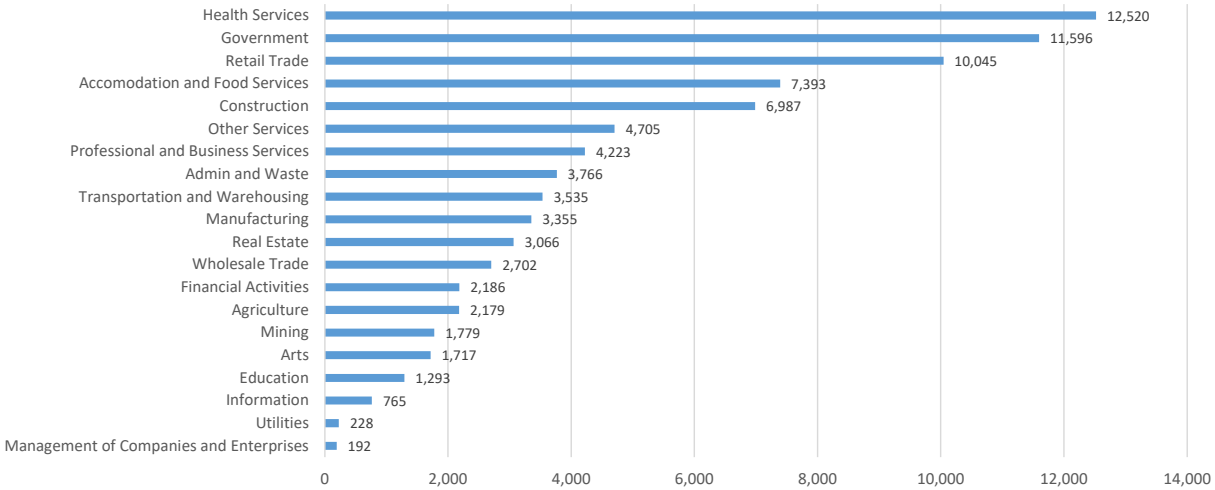


Figure 4:

Mesa Unemployment

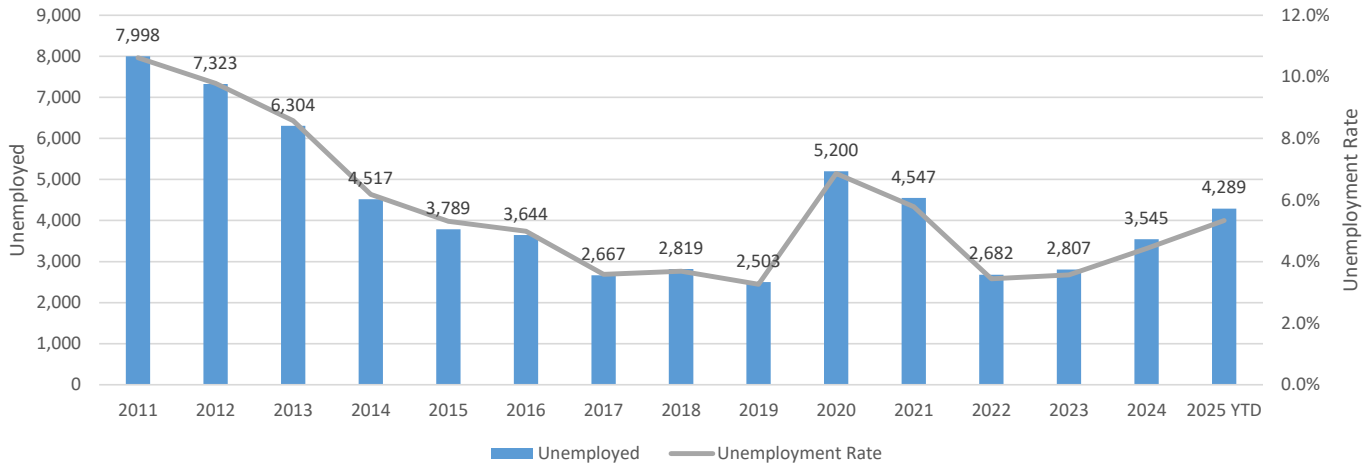


Figure 5:

New Business Entity Filings Mesa

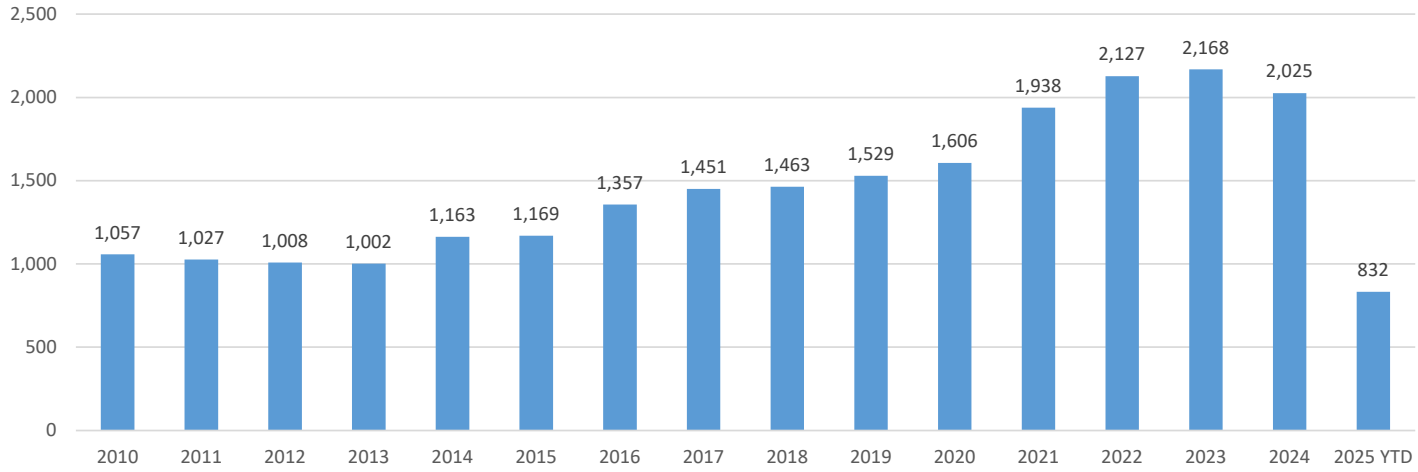
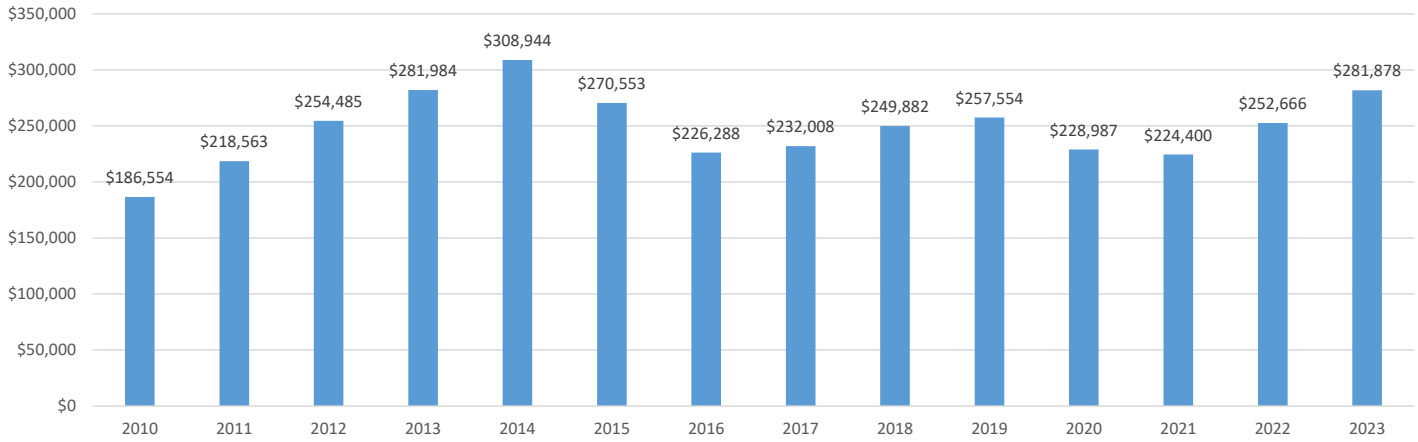


Figure 6:

Place of Residence



Standard of Living Measures

Standard of living measures are generally released each year in December for the previous year's data. Mesa County GDP for 2023 grew by 2.64% compared to 2022. This can be seen in Figure 8. In addition to this, the BEA has revised previous year estimates for GDP, and has updated the 2022 number to 3.56%, which is more reflective of the economic data than the previous estimate.

Mesa County median household income fell from $69,578 in 2022 to $66,339 in 2023 (Figure 9). Median household income is an estimate with a fairly large confidence interval, so it is important not to overreact to one number that changes.

The Census Department's SAIPE program (Small Area Income and Poverty Estimates) released their most recent poverty estimate, with Mesa County rising from 10.7% in 2022 to 11.9% in 2023.

Personal income per capita increased from $54,220 in 2022 (figure 10) to $57,653 in 2023. Per capita personal income is a measure of all personal income in the county divided by the population. Per capita personal income has increased drastically over the last decade.

Figure 7:

Western Slope GDP % Change 2023

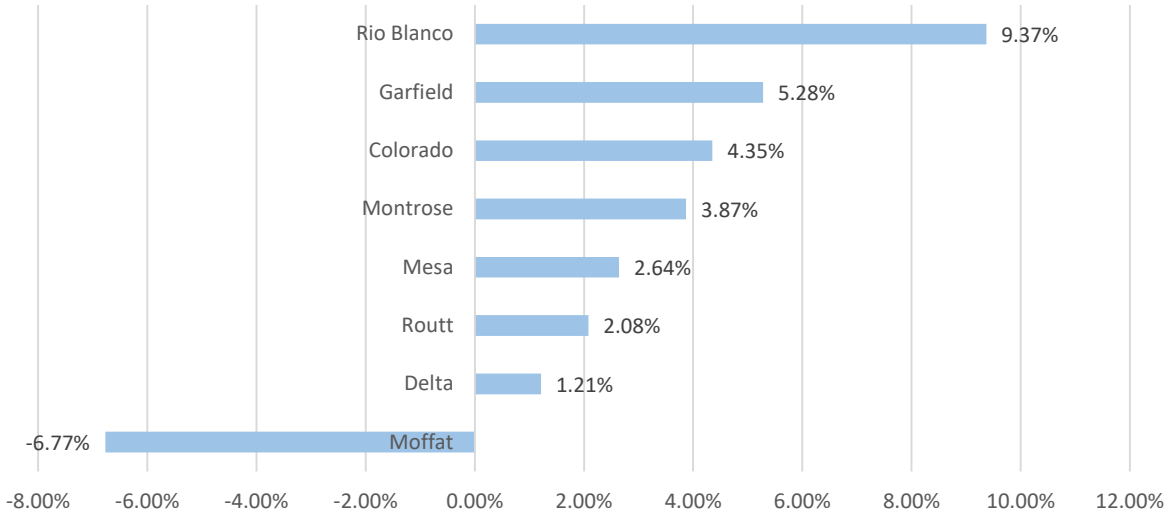


Figure 8:

Mesa County Real GDP % Change (chained 2017 dollars)

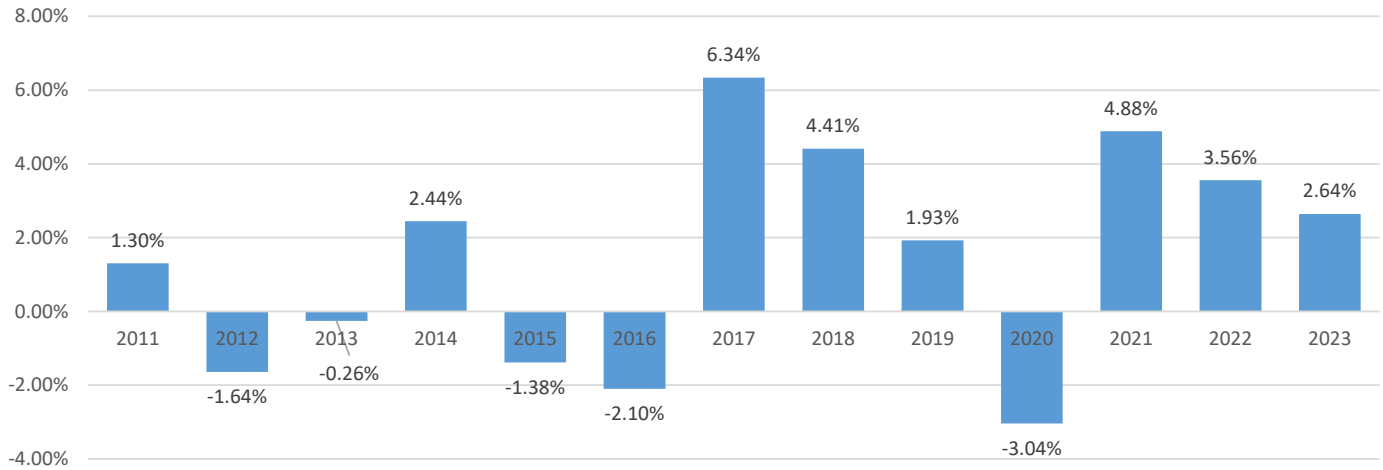


Figure 9:

Mesa County Median Household Income

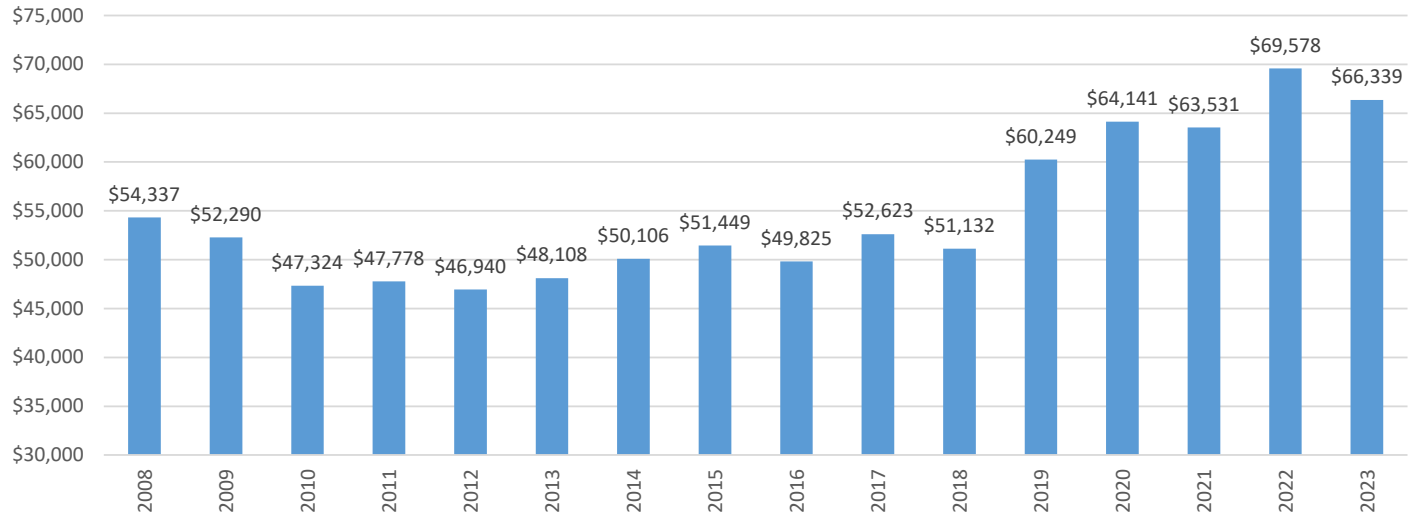


Figure 10:

Per Capita Income

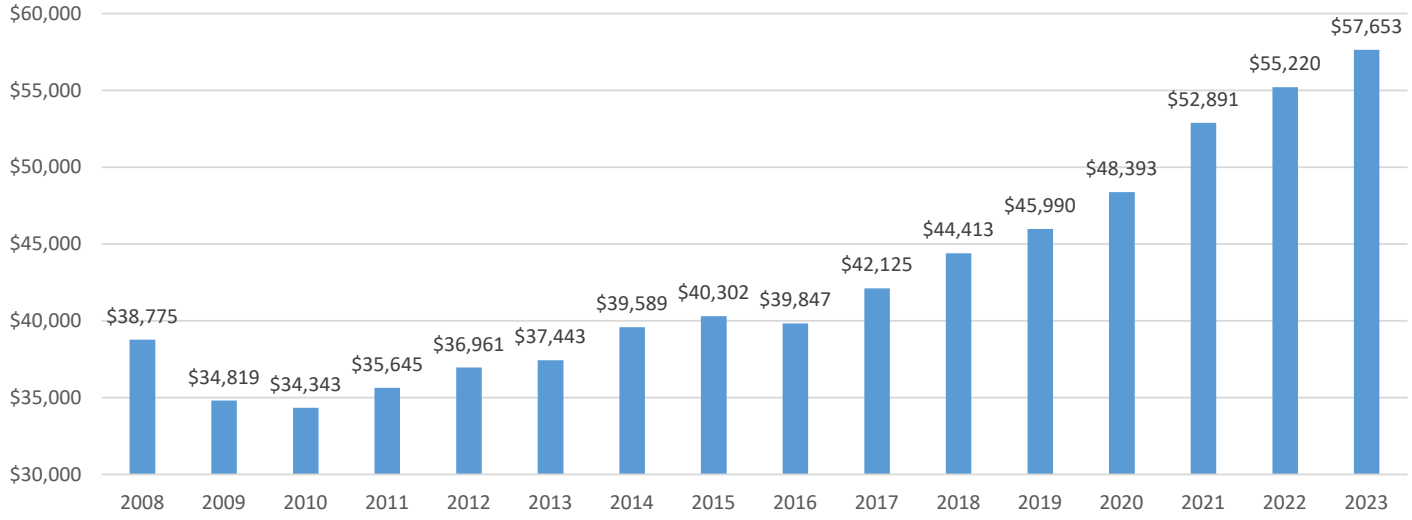
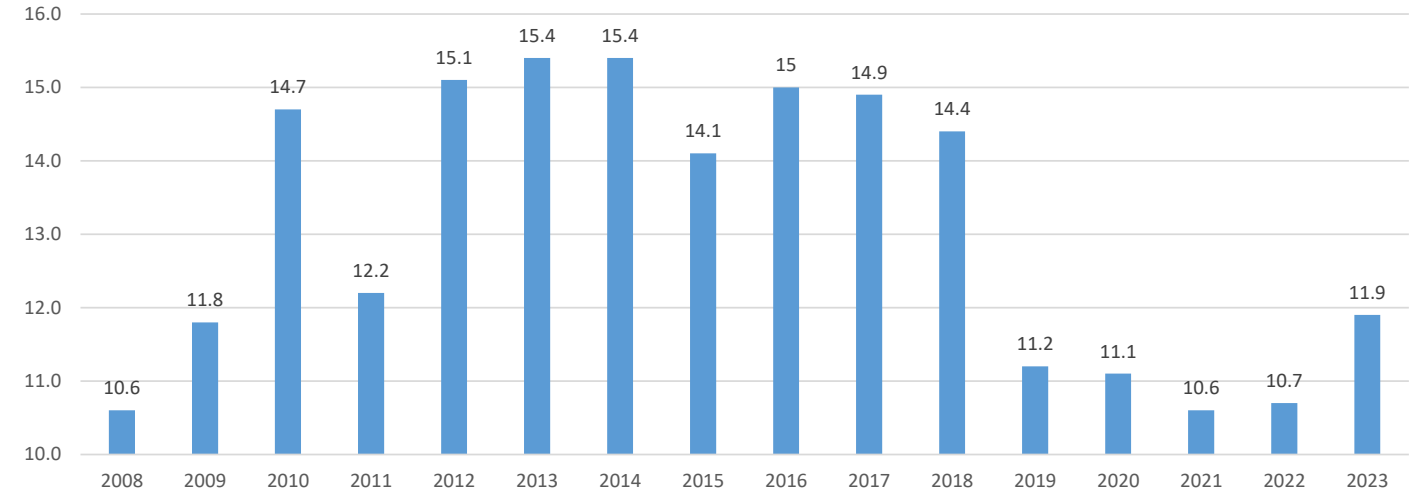


Figure 11:

Percent Below Poverty Line Mesa County



Population Trends

The Colorado State Demography Office produces population estimates and population forecasts. Table 2 illustrates these forecasts for the Western Slope counties. Mesa County is expected to grow from the previous 2020 estimate of 155,993 to 174,827 in 2030, 198,890 in 2040, and 214,206 in 2050.

Population is a function of birth rate, death rate, and migration. Mesa County is expected to be fairly neutral with births and deaths, which means natural population growth is not what is expected to push Mesa County's population higher. It is in fact migration that is expected to fuel Mesa County's growth.

Table 2:

Population Estimates Table (2020-2050), Colorado State Demography Office

	Mesa	Montrose	Delta	Garfield	Rio Blanco	Moffat	Routt
2020	155,993	42,810	31,052	61,791	6,521	13,265	24,834
2025	162,833	45,413	32,027	64,496	6,511	13,037	25,786
2030	174,827	48,327	33,286	69,950	6,440	12,851	27,336
2035	187,931	50,973	34,303	76,392	6,291	12,706	28,840
2040	198,890	52,958	35,029	82,780	6,147	12,577	30,133
2045	207,560	54,152	35,512	88,422	5,978	12,435	31,082
2050	214,206	54,586	35,769	92,516	5,773	12,261	31,700

Table 3:

Mesa County Population Change Breakdown, Colorado State Demography Office

	Population	Change	Births	Deaths	Net Migration
2018	154,047	1,899	1,657	1,527	1,769
2019	155,109	1,062	1,604	1,543	1,001
2020	155,993	884	1,568	1,685	1,001
2021	157,432	1,439	1,527	1,898	1,810
2022	158,534	1,102	1,448	2,015	1,669
2023	159,503	969	1,426	1,776	1,319
2030	174,827	2,836	1,760	2,040	3,116

Industrial Diversification

Figure 12 illustrates the Hachman Index for Mesa County. The Hachman Index is an industrial diversification index that compares the industrial composition of Mesa County to the industrial composition of Colorado. A higher Hachman Index indicates that Mesa County is closer to the composition of Colorado, whereas a lower Hachman Index implies less diversification compared to Colorado. Figure 12 shows that the Hachman Index indicates Mesa County has been increasing in industrial diversification since the oil and gas bubble burst.

Another way to measure industrial diversification is through the Herfindah-Hirshman (HHI) Index. This measure only takes into account the market concentration of Mesa County, and does not use a comparison with the state like the Hachman Index. A higher HHI indicates more industrial concentration. The HHI shows that Mesa County has seen an increase in concentration since 2008 (Figure 13). The reason for this is health care. The Hachman Index differs from the HHI because Colorado as a state has seen an increase in job concentration in health care, so the growth in healthcare in Mesa County is offset by the growth in Colorado. Notice the small changes on the Y axis on the HHI Index, indicating that the HHI has not moved much.

Figure 14 shows the percentage of healthcare jobs in Mesa County, while Figure 15 illustrates oil and gas jobs versus non-oil and gas jobs. Non-oil and gas jobs have been on a steady growth trend, while oil and gas have fallen. Ultimately the Hachman Index is a better measure of industrial diversification as it uses Colorado as a comparison baseline.

Figure 12:
Hachman Index Mesa County

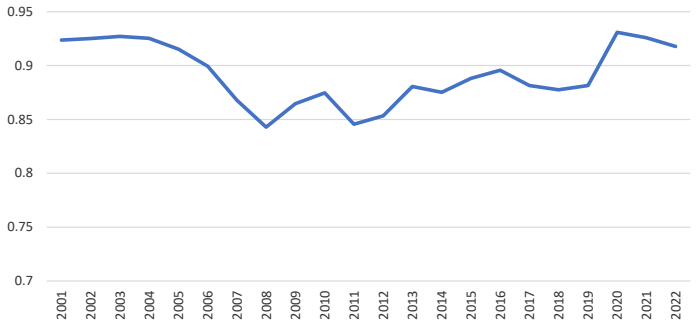


Figure 13:
HHI Index Mesa County

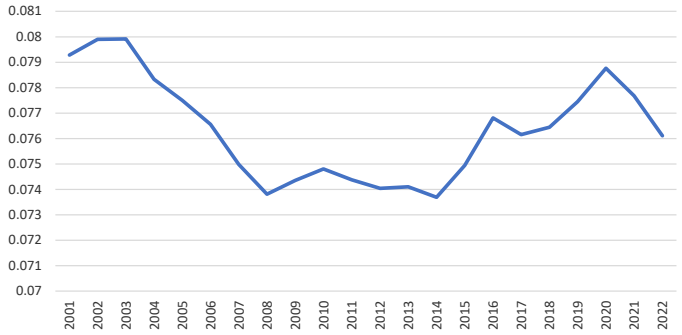


Figure 14:
Healthcare Percentage of Jobs

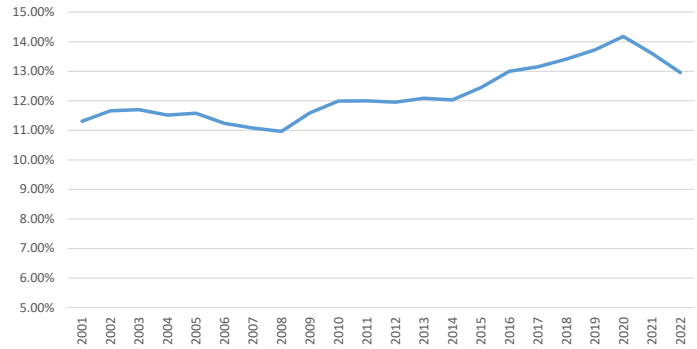
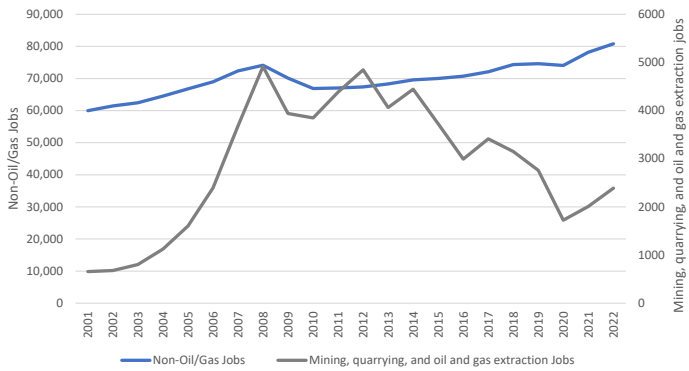


Figure 15:
Non-Oil and Gas Jobs



Mesa County Industry Trends

Q3 2024 Quarterly Census of Employment and Wage data shows job and wage gains compared to Q3 2023. The biggest gains in jobs were in healthcare (895), which has seen a steady trend of employment growth after falling in 2022. Public administration (277) and transportation and warehousing (201) also saw large gains. Figure 16 and 17 show job and wage changes in the QCEW data from the previous year.

The largest wage contributor to Mesa County is by far health care, at $214,356,575 for the quarter. This is following by retail trade ($90,318,397), construction ($89,198,802), and public administration ($74,822,680). Note that QCEW data does not represent all employers or jobs.

Table 4:

Quarterly Census of Employment and Wages (QCEW) Q3 2024 Compared to Q3 2023

Sector	Average Employment	Total Quarterly Wages	Average Weekly Wage	Total Employment Change	Total Wage Change
Total, All Industries	67,305	$940,216,575	$1,075	1,514	$32,578,648
Health Care and Social Assistance	13,467	$214,356,442	$1,224	895	$14,071,120
Retail Trade	8,693	$90,318,397	$799	-194	-$12,948,508
Construction	5,427	$89,198,802	$1,264	107	$4,590,678
Public Administration	4,214	$74,822,680	$1,366	277	$10,073,690
Educational Services	5,153	$62,840,364	$938	68	$4,244,746
Transportation and Warehousing	2,938	$49,694,777	$1,301	201	$5,696,594
Accommodation and Food Services	7,254	$49,595,292	$526	-61	$1,205,872
Professional and Technical Services	2,598	$46,202,280	$1,368	199	$1,849,403
Manufacturing	3,164	$43,017,688	$1,046	-23	$1,549,499
Wholesale Trade	2,431	$41,331,353	$1,308	-21	-$883,634
Administrative and Waste Services	2,947	$40,823,127	$1,066	123	$5,492,879
Mining	1,536	$38,919,860	$1,949	-42	-$2,806,730
Finance and Insurance	1,594	$30,351,167	$1,465	-94	$189,982
Other Services, Ex. Public Admin	2,031	$22,646,398	$858	16	$633,954
Real Estate and Rental and Leasing	1,038	$12,618,811	$935	21	$253,553
Information	678	$11,117,928	$1,261	-2	$129,369
Utilities	373	$8,786,846	$1,814	-5	$236,694
Arts, Entertainment, and Recreation	1,201	$6,642,713	$425	116	$233,511
Management of Companies and Enterprises	198	$3,790,645	$1,473	8	-$229,075
Agriculture, Forestry, Fishing & Hunting	361	$3,039,590	$648	-71	-$712,872

SOURCE: Colorado Department of Labor and Employment (QCEW). The most recent quarterly data available is reported.

Figure 16:

Total Jobs Change from Q3 2023 to Q3 2024

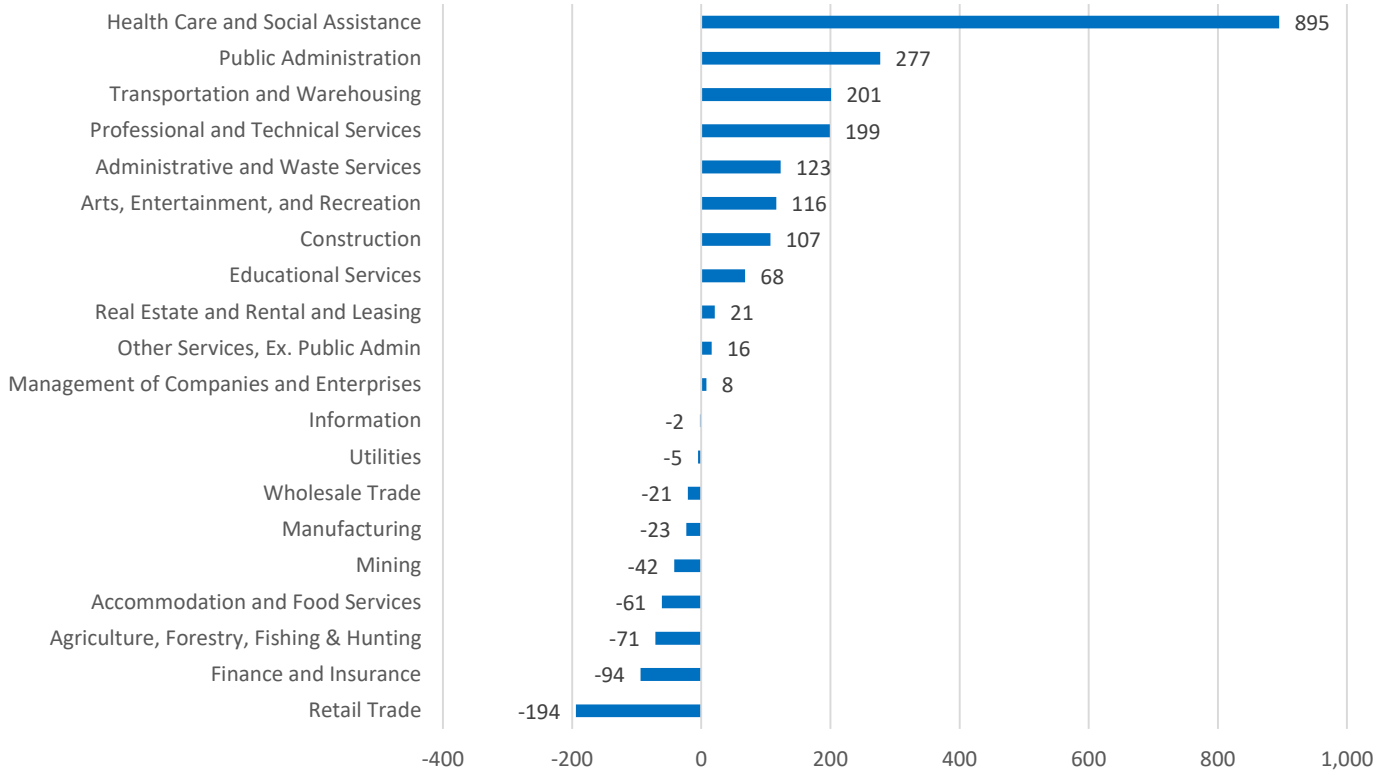
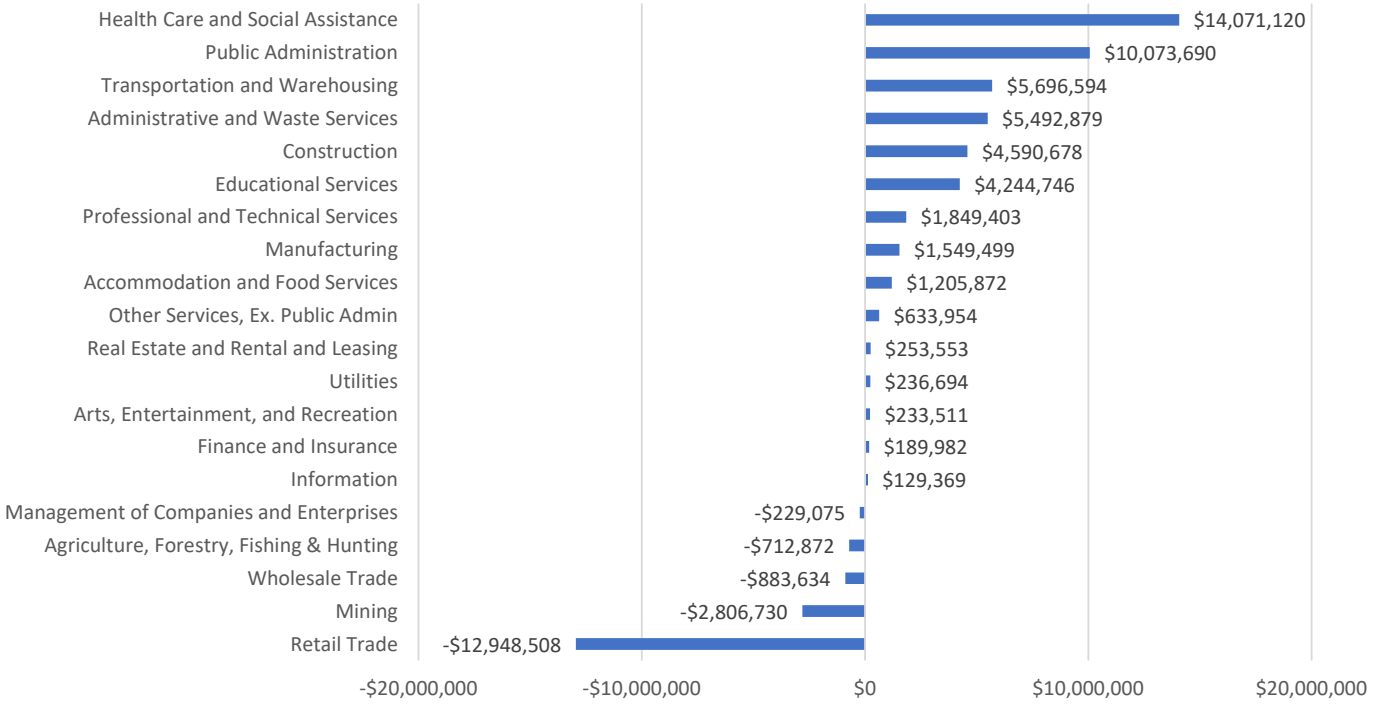


Figure 17:

Total Wages Change from Q3 2023 to Q3 2024



Local Real Estate

	Q1 2025	Q1 2024	% change since last year
Real Estate			
Inventory of Homes for Sale (3 month avg)	491	428	14.73%
New Residential listings (3 month total)	766	680	12.65%
Sold Residential Listings (3 month total)	501	421	19.00%
Median Sales Price	$413,667	$390,817	5.85%
Average Sales Price	$474,559	$431,056	10.09%
Days on Market	95.67	89.33	7.09%
Months Supply of Inventory	2.43	2.23	8.96%
Total Building Permits (YTD)	2,129	1,969	8.13%
Single Family Permits (YTD)	165	131	25.95%
Foreclosures			
Foreclosure Filings	65	63	3.2%
Foreclosure Sales	13	12	8.3%
Freddie Mac House Price Index			
Grand Junction	323.2	314.6	2.74%
Colorado	303.7	299.3	1.47%
National	297.8	287.9	3.44%
Zillow Rental Price Index			
All rentals combined	$1,638	$1,525	7.4%
Single Family	$2,024	$1,886	7.3%
Multifamily	$1,269	$1,185	7.0%
Mortgage Rates	**April 2025**	**April 2024**	
15 Year Mortgage Rate	5.90%	6.26%	-0.36%
30 year Mortgage Rate	6.73%	6.99%	-0.26%

SOURCES: Real Estate: Colorado Association of Realtors Market Trends Program through ShowingTime. Note that real estate data is just single family homes; Permit data: Mesa County; Foreclosure Filings and Sales: Mesa County Public Trustee Office; Freddie Mac House Price Index, Rental Index: Zillow, Mortgage rates: Freddie Mac.

Local Real Estate Indicators

The Mesa County real estate market shows an increase in inventory in Q1 2025, rising from 428 last year to 491 this year. Both new listings and sold listings increased as well. The average median sales price in Q1 2025 was $413,667. Months supply of inventory increased from 2.23 to 2.43 from last year. Rental prices continue to climb, rising 7.4% comparing the first quarter of 2025 and 2024.

Total building permits are up compared to Q1 of last year, rising by 8.1%, while single family homes are up much higher than Q1 of last year, rising by 26%. Quarter to quarter comparison tell us something but the long term chart tells us more. Figure 18 illustrates building permits. There are three important things to note about building permits: First, they are volatile from quarter to quarter. Secondly, there was a distinctive fall in single family home permitting in the summer of 2022 that has not recovered. Third, there is a slight upward trend in single family home building permits since the summer of 2022, while total permits continue to consistently increase and stay on trend, but still at a historically high level. Foreclosure numbers show no signs of concern and are still historically low.

As of mid-May 2025, U.S. mortgage rates remain elevated, with the average 30-year fixed-rate mortgage at 6.73%, marking the highest level since late April. This uptick aligns with recent movements in the 10-year Treasury yield, which stood at 4.45% on May 15, 2025. The 10-year Treasury yield serves as a key benchmark for mortgage rates, and its fluctuations often influence borrowing costs. While some forecasts anticipate a modest decline in mortgage rates to around 6.5% by the end of the year, the trajectory will largely depend on economic factors such as growth/recession, tariff rates and inflation, and unanticipated supply shocks.

Figure 18:

Building Permits

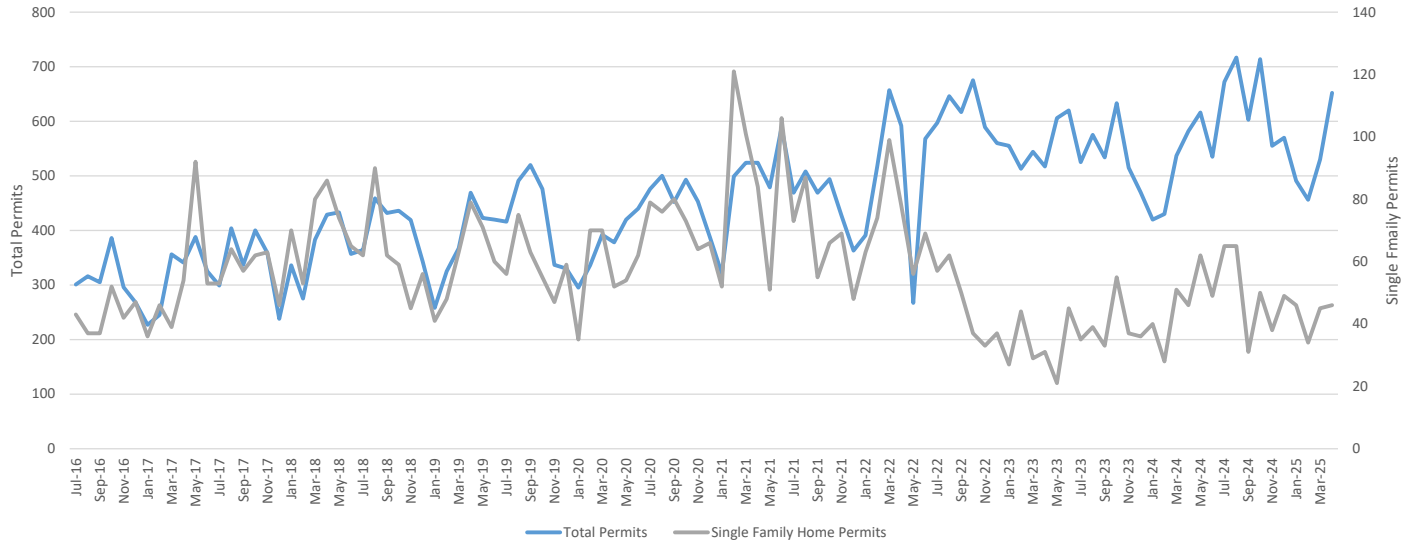


Figure 19:

Median and Average Sales Price

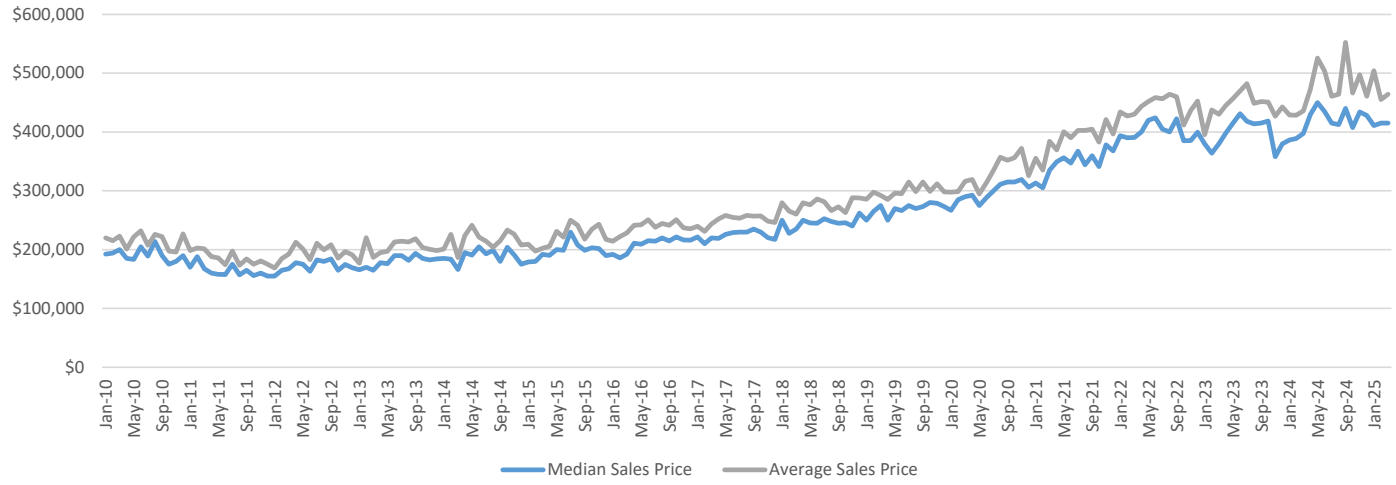
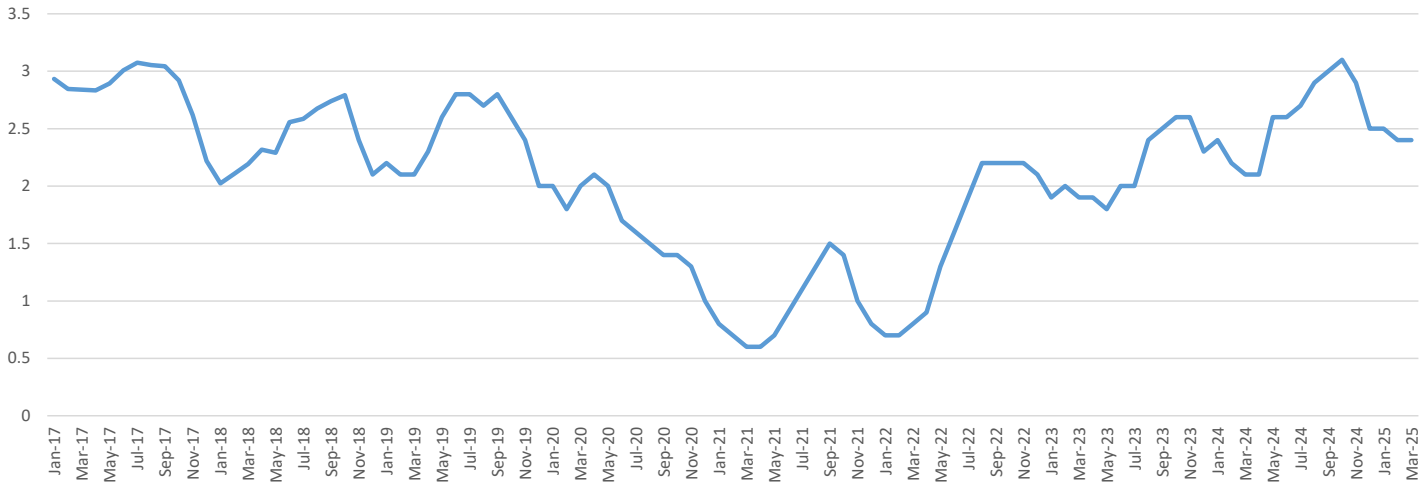


Figure 20:

Months Supply of Inventory



Regional Energy

	Q1 2025	Q4 2024	Q1 2024	% change since last quarter	% change since last year (comparable quarters)
Energy Prices					
WTI Crude Oil	$71.78	$70.73	$77.50	1.48%	-7.38%
Henry Hub Natural gas	$4.15	$2.44	$2.13	70.08%	94.84%
Retail Gasoline Price	$2.99	$2.97	$3.13	0.47%	-4.45%
Drilling Permits	**2024**	**2023**	**2022**	**2021**	
Drilling Permits (Mesa County)	40	0	0	1	
Drilling Permits (Rio Blanco County)	67	40	40	33	
Drilling Permits (Garfield County)	18	139	133	127	
Drilling Permits (Moffat County)	10	3	4	1	
Total Permits (Mesa, Rio Blanco, Garfield, Moffat)	135	182	177	162	
Total Permits (Colorado)	980	1,005	805	1,543	
Local Rig Count	**25-May**	**Feb-23**	**Aug-22**		
Rig Count (Western Colorado, Mesa, Rio Blanco, Garfield, Moffat)	1	3	4		

SOURCES: All energy prices: Energy Information Agency; All permit data from Colorado Oil and Gas Conservation Commission (COGCC); Local Rig Count: Baker Hughes Rig Count; Coal data from the Colorado Division of Reclamation, Mining, and Safety.

Figure 21:

Oil and Natural Gas Prices

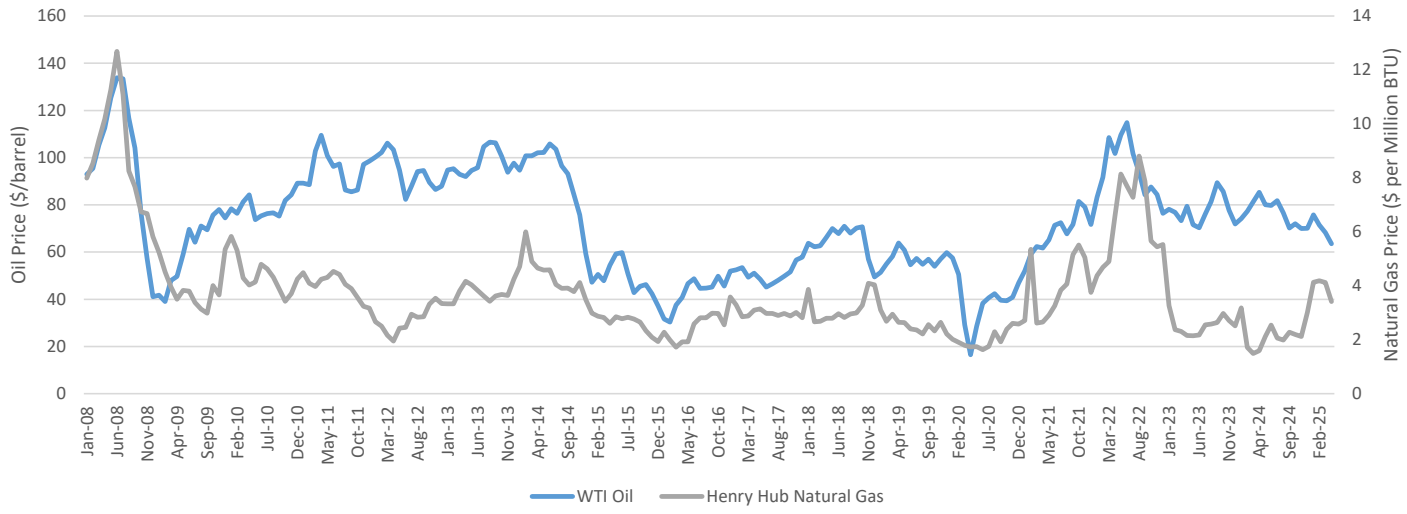


Figure 22:

Oil/Gas Drilling Permits and Oil/Gas Jobs

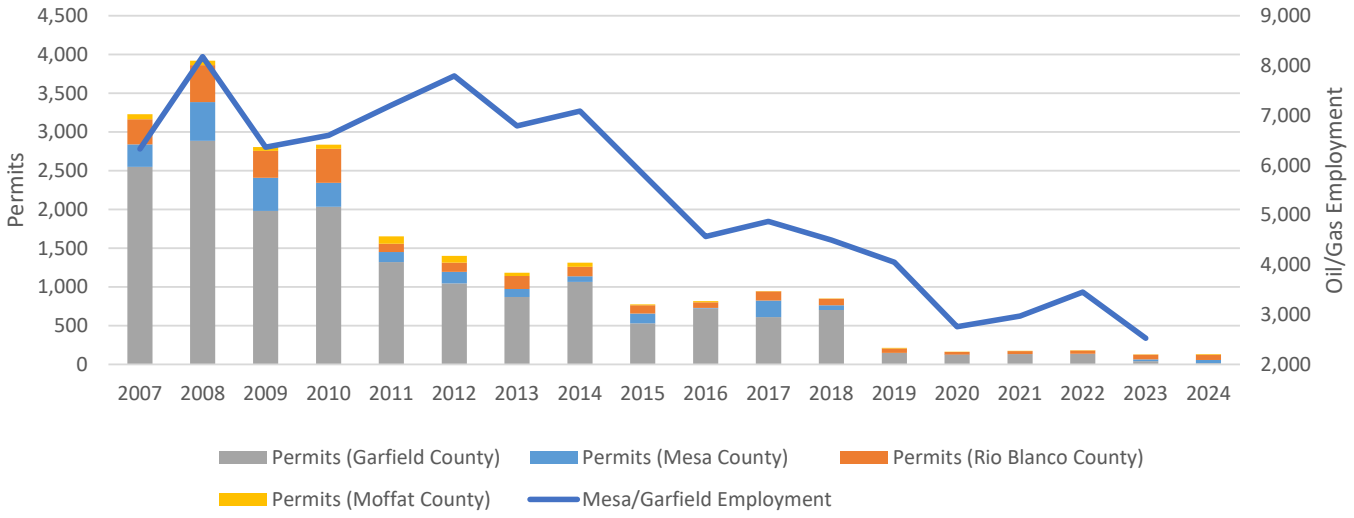
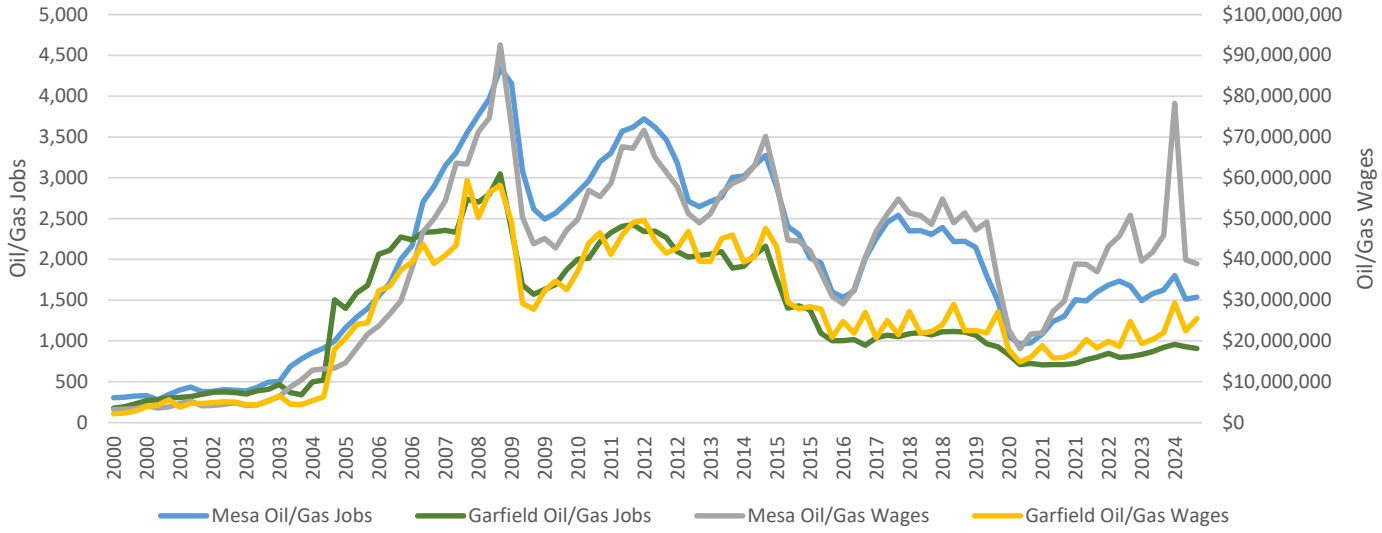


Figure 23:

Mesa and Garfield Oil and Gas Jobs/Wages



Western Slope Energy

Natural gas prices are on the rise in 2025, rebounding from the lows experienced in 2024. The U.S. Energy Information Administration (EIA) projects the Henry Hub spot price to average $4.10 per million British thermal units (MMBtu) this year, nearly doubling from last year's average of $2.20/MMBtu. This increase is driven by several factors, including reduced storage levels, increased demand, and lower associated gas production.

The first half of 2025 has seen a continued slide in oil prices, driven by global supply growth outpacing demand. The EIA projects Brent crude to average $59 per barrel for the year, down from $81 in 2024. This decline is attributed to increasing oil inventories, with global stockpiles expected to grow by an average of 0.4 million barrels per day in 2025. The EIA forecasts Brent prices to decrease from $76 per barrel in the first quarter to $61 by the fourth quarter of 2025. This oversupply is largely due to production increases from non-OPEC+ countries, including the U.S., Canada, Brazil, and Guyana. While OPEC+ plans to raise output in June, their production is still projected to remain below target levels.

National Economic Indicators

	Q1 2025	Q4 2024	Q1 2024	% change since last period	% change since last year (comparable quarters)
Business Cycle Indicators					
Real GDP	-0.30%	2.40%	1.60%	-2.70%	-1.90%
Personal Consumption Expenditures	1.80%	4.00%	1.90%	-2.20%	-0.10%
Gross Private Domestic Investment	21.90%	-5.60%	3.60%	27.50%	18.30%
National Consumer Confidence	64.5	72.1	78.4	-10.54%	-17.73%
Industrial Production Index	103.7	102.4	102.2	1.31%	1.47%
Initial Weekly Unemployment Claims (4 week MA)	220,212	226,577	210,481	-2.81%	4.62%
Non Farm Payroll Change (in thousands)	543,000	509,333	575,333	6.61%	-5.62%
Unemployment					
Unemployment Rate-U3-SA	4.10%	4.10%	3.80%	0.00%	0.30%
Unemployment Rate-U6-SA	7.80%	7.60%	7.30%	0.20%	0.50%
Interest Rates					
Federal Funds Rate	4.33%	4.68%	5.33%	-0.35%	-1.00%
10 Year U.S. Treasury	4.45%	4.28%	4.16%	0.17%	0.29%
30 Year U.S. Treasury	4.71%	4.49%	4.33%	0.22%	0.38%
Inflation Measures					
Inflation Rate (CPI)	2.74%	2.72%	3.25%	0.02%	-0.51%
Core Inflation Rate (All Items Less Food and Energy)	3.08%	3.26%	3.82%	-0.18%	-0.74%
Inflation Rate (Shelter)	4.21%	4.76%	5.82%	-0.55%	-1.61%
Producer Price Index (PPI)	1.88%	0.24%	-1.89%	1.65%	3.77%
Employment Cost Index	3.60%	3.76%	4.20%	-0.16%	-0.60%
Stock Prices					
S&P 500	5,895	5,907	4,993	-0.21%	18.07%
Dow Jones Industrial Average	43,240	43,257	38,517	-0.04%	12.26%
Trade Balance and Debt					
Trade Balance (% of GDP)	-1262.307	-920.084	-841.569	37.19%	49.99%
Federal Debt (% of GDP)*	121.9%	120.7%	120.2%	1.1%	1.7%

SOURCES: GDP, Consumption, Investment, and Trade Balance: Bureau of Economic Analysis; Consumer Confidence: University of Michigan; Industrial Production, Interest Rates and USD Exchange Rate: Board of Governors of the Federal Reserve System; Weekly Unemployment Claims: U.S. Employment and Training Administration. Non-Farm Payroll, Unemployment Rates, Inflation Measures: Bureau of Labor Statistics; Stock Prices: S&P Dow Jones Indices, LLC.; USD Exchange Rate: Board of Governors of the Federal Reserve; Trade Balance: BEA; Federal Debt: U.S. Office of Management and Budget. * indicates data is lagged by one quarter. Regional CPI data from the Bureau of Labor Statistics. Yield Curve from the Federal Reserve Board. Tariff rate from (10.5281/zenodo.15151391).

Figure 24:

Real GDP for U.S.

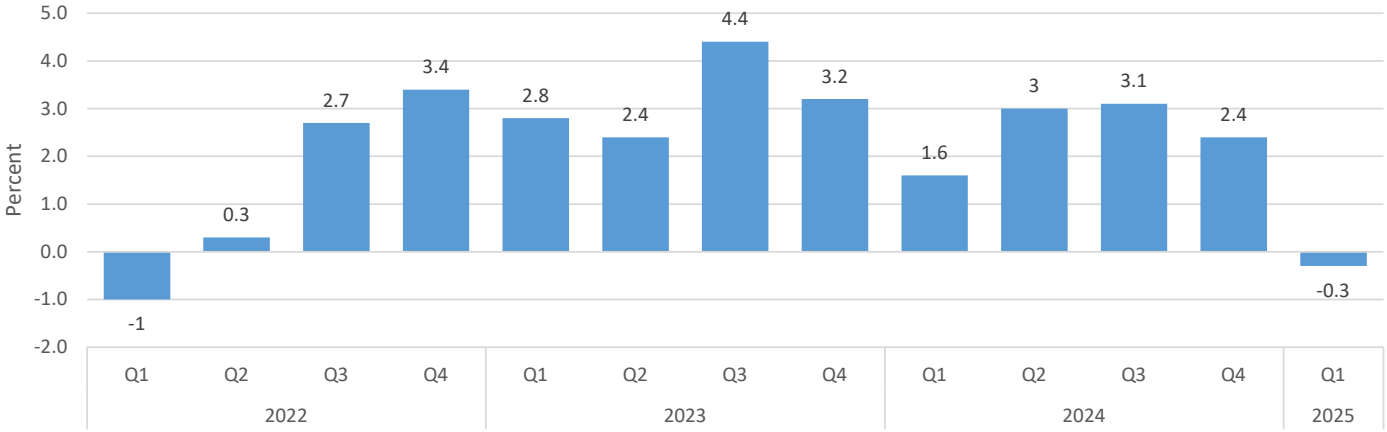
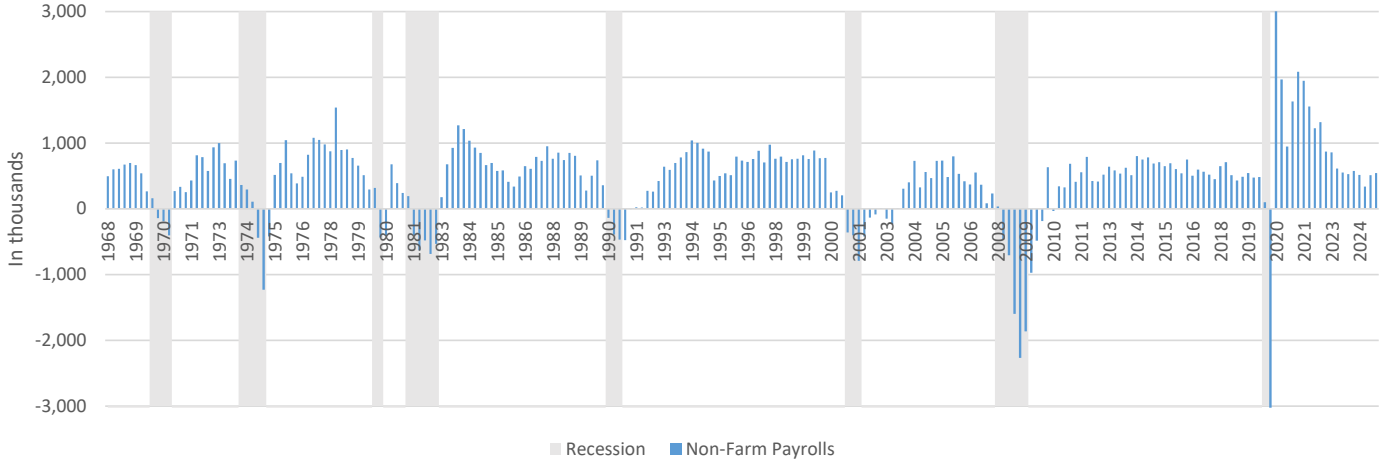


Figure 25:

Non-Farm Payrolls (Quarterly)



Economic Growth

U.S. GDP growth for Q1 2025 was -0.3%, showing contraction and creating a growing concern for a potential recession. Part of the reason for the negative growth rate is tariffs. Specifically, many firms rushed to purchase foreign goods before tariffs hit, causing a surge in imports, which is a subtraction from GDP. It is likely that Q2 will have the opposite anomaly, with less imports that could push growth higher. The Atlanta Fed GDPNow forecasts 2.4% growth for Q2 as of mid May. Economists were predicting solid growth in 2025 until the White House tariff plans were unveiled.

As more information about trade deals becomes known, growth forecasting will be more accurate. As of now, with tariff uncertainty, economists are expecting slow growth and potential recession as the economy adjusts to altered trade agreements and higher prices on imports.

Labor Market

The seasonally adjusted unemployment rate held just above 4% for the last several months, at 4.2% as of March (figure 28). Colorado's seasonaly adjusted unemployment rate is 4.8%, while the non-seasonally adjusted rate was 4.6% as mentioned earlier. Non-farm payroll numbers have leveled off the past few months, holding steady and showing some job growth (Figure 25).

JOLTS data, which tracks hires, quits, and layoffs, shows that job hiring is slowing, the quit rate has fallen, and layoffs have fallen. This translates to a stagnant labor market, with less hiring, but if you have a job, low layoffs. The rising quit rate shows that workers realize they don't have better opportunities outside of their current employment and are staying put.

The employment cost index (figure 29) shows that wages continue to fall from COVID level increases. This is a mixed bag for workers, and increased wages are helpful but they also contribute to inflation, which has been hurtful to consumers.

Tariffs

Tariffs are taxes on imported goods, and serve multiple economic and political purposes. The historical effective tariff rate can be seen in figure 27. Economists often refer to the "3 Rs" of tariffs as Revenue, Retaliation, and Restriction.

Revenue is the oldest justification for tariffs. Before the modern income tax system, tariffs were the primary source of government revenue.

Retaliation refers to tariffs used as a tool in trade disputes. If one country believes another is engaging in unfair trade practices, it may impose retaliatory tariffs. Currently, the Trump administration is accusing China of unfair trade which is why tariffs on China were set higher than other countries.

Restriction describes tariffs' use as a tool to limit imports. By making foreign goods more expensive, tariffs can protect domestic industries from global competition. This can support domestic employment and production in targeted sectors, but it also raises prices for consumers and downstream producers that rely on imported inputs.

There are pros and cons to tariffs. The pros include tariff revenue, the reduction of the trade deficit, and the encouragement of supply chains and manufacturing in the U.S. Figure 26 shows the current account divided by GDP for the United States. The current account is essentially the trade deficit, and shows the U.S. has imported much more than exported since the early 1980's.

The cons of tariffs are the potential for retaliatory tariffs, the increase the cost of foreign goods and inputs which can be inflationary, and the potential for a large disruption of the international trade and political order, specifically the "exorbitant privilege" of the dollar.

Exhorbitant privilege is a global demand for dollars that has existed since World War II, and especially after the Bretton Woods system collapsed in the early 1970s. Countries, central banks, and corporations have held and traded in dollars for key global transactions such as oil, commodities, sovereign reserves, and international debt markets, which has increased the demand for dollars and hence U.S. financial assets like treasury bonds. The dollar has been both the official and de-facto world reserve currency. This grants the U.S. benefits including low borrowing costs because interest rates are lower, the ability to run persistent trade deficits, and additional monetary policy autonomy.

The flip side of this privilege is the large trade imbalance and the outsourcing of manufacturing. Here's how it happens: Global demand for dollar-denominated assets like treasuries means foreign investors and governments need dollars. To acquire those dollars, foreign countries sell goods to the U.S., running trade surpluses with America. The U.S., in turn, runs chronic trade deficits, buying more than it sells, which feeds the global demand for dollar liquidity. Unlike other countries, the U.S. doesn't need to balance trade with exports, because it can pay with its own currency, which other countries need to hold.

While the exorbitant privilege allows the U.S. to sustain consumption and investment levels beyond what it produces, it also contributes to industrial decline in some sectors and growing concerns about external debt and competitiveness.

Economists debate how long this system can last, but so far, the dollar's dominance has proven remarkably resilient, even amid rising global challenges from currencies like the euro or China's renminbi.

The current political debate centers around who benefits from this exorbitant privilege, and whether scaling back its advantages to restore domestic supply chains and manufacturing would serve the U.S. better overall.

Figure 26:

Current Account Deficit

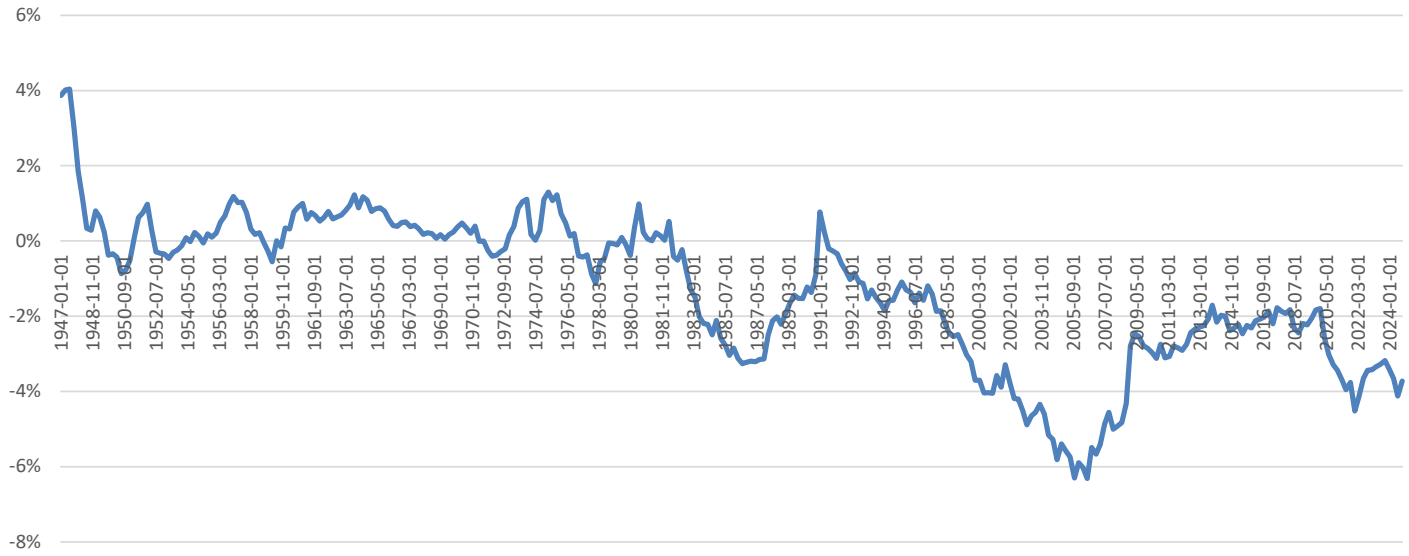


Figure 27:

Effective Tariff Rate

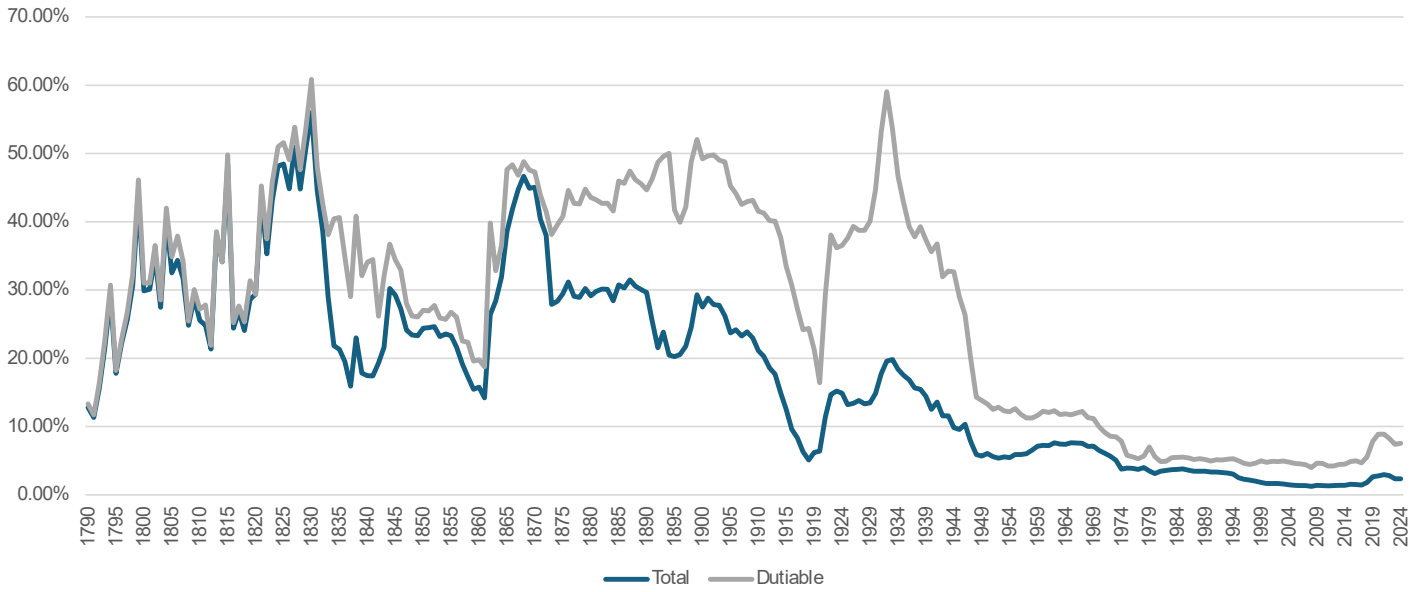


Figure 28:

Unemployment Rate

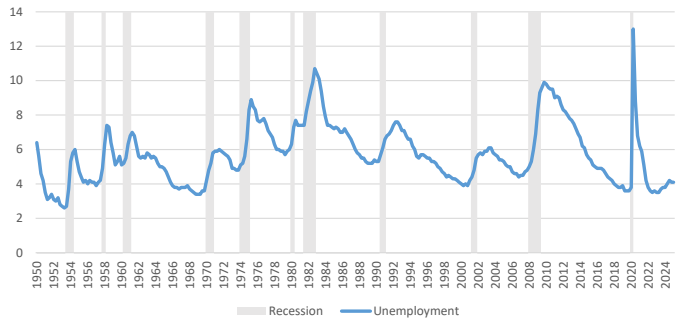
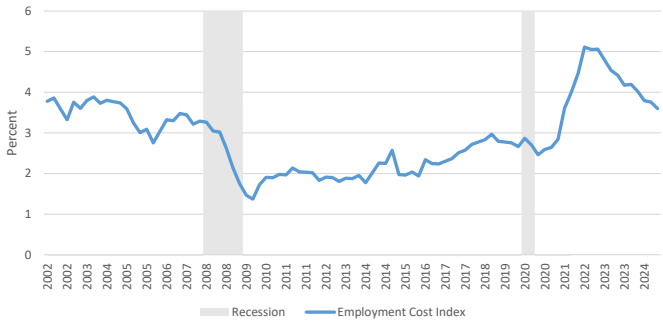


Figure 29

Employment Cost Index



The Mesa County Economic Update is compiled and written by Dr. Nathan Perry, Professor of Economics at Colorado Mesa University.

970.248.1888
naperry@coloradomesa.edu

Colorado Mesa University

1100 North Avenue
Grand Junction, Colorado 81501-3122
970.248.1778 • 970.248.1138 (f)
coloradomesa.edu